

Evaluation of the
“Supporting Electoral Choice”

**Political Party
Electoral Campaign
Finance Program**

(USAID Project No. 656-0247)

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Introduction

In the interest of supporting achievement of USAID's democracy strategic objective in Mozambique, the Government of the United States entered into USAID Grant Agreement No. 656-0247, Dated 30 September 1999, with the Republic of Mozambique for the Supporting Electoral Choice (SEC) Program. The purpose of this program, involving an ESF donation of \$1.0 million, was "to support the upcoming Mozambique elections by: (1) funding a non-partisan, transparent, and accountable public campaign finance facility in order to provide campaign support to Mozambique's political parties; and (2) defraying other unanticipated government electoral costs." Each component was funded in the amount of \$500,000. In addition, three other international donors (the Netherlands, Switzerland and Sweden) entered into nearly identical agreements providing public campaign finance. The individual contributions of these countries nearly tripled the total level of donor support (see table on page 8). The Grant Agreement required the Government of the Republic of Mozambique (GRM) to establish a budget line item for a campaign finance fund and to make a significant contribution to this line item from its own revenues. In order to achieve this purpose, USAID and the GRM agreed to work together to achieve the following results: 1) the establishment of a public campaign finance facility funded through the GRM's regular budget process; and 2) more competitive elections.

The program agreement noted that, following the elections, there would be an evaluation of the SEC program, using in part the results of an independent audit that allowed the National Elections Commission (CNE) to publish the final accounting of the campaign finance program, as required by the electoral law. Data on voter turnout was also to be used in the evaluation. This evaluation examines the performance of the campaign finance program and offers recommendations as to how it could be improved prior to the next general elections. The SEC program agreement noted that USAID would also make an overall assessment of the competitiveness of the electoral contest based on information from domestic and international observers, the press, CNE data, and independent political analysts in Mozambique. The Evaluation Team consisted of an electoral expert, Ms. Deborah Schein, and a Mozambican journalist, Mr. João Carlos Cumbane.

Mozambique's second parliamentary and presidential elections took place on 3-5 December 1999. In December 1998, the Parliament of Mozambique agreed by consensus on the legislative framework for the conduct of these and future elections. The Election Law regulates the conduct of the electoral process and Chapter III of this Law establishes the legal framework for the financing of the political campaign: it both regulates how the political campaign is funded and obligates the GRM to include in its budget funds financing the electoral campaign. The Election Law empowers the CNE to adopt the criteria for the distribution of these public funds to political parties for use during the campaign period. The Election Law also requires that these criteria be based on the principle of proportionality determined by the number of candidates on a party or coalition list and the number of seats to be filled. The political parties are held responsible for the accounting of public funds received. Parties are required to reimburse the CNE for monies received, but not spent, or misspent. The CNE audits the regularity of expenditures by the political parties and informs the Attorney-General Office of those parties found not to be in compliance with the procedures established for the use of these funds and for their accountability within the timeframe established in the Election Law.

This mechanism, referred to in Article 33 of the Election Law allows political parties, candidates and electors to contribute to the electoral campaign, political parties to carry out fundraising activities and also for national and international parties as well as non-governmental organisations and international organisations to contribute to the campaign fund. The Law, however, prohibits the direct funding of political parties or candidates by foreign governments, governmental organisations and institutions or public enterprises. Instead these entities may contribute to the GRM budget account established to finance political campaigns of the parties participating in the elections. The

intent of the entire public campaign finance provision is to “level the playing field” by providing those political parties with fewer resources access to funds with which to campaign, and thus create a more sustainable competitive electoral contest. Inherent in the use of state budget funds would be accountability on the part of the political parties in their use of these public resources.

I. Methodology

In conducting the performance evaluation of the SEC Program the Evaluation Team divided the task and reporting into the following categories: 1) program concept; 2) formula for the distribution of campaign funds; 3) implementation mechanisms; 4) procedures; 5) use of funds; 6) impact on the competitiveness of the process; 7) results of the audit; 8) conclusions; and, 9) recommendations.

The Evaluation Team devoted the first ten days to reviewing relevant documentation, and interviewing key program implementers at the: CNE and the Technical Secretariat for the Administration of the Elections (STAE), the bodies mutually responsible for the management of the public campaign finance program; Deloitte&Touche, the accounting firm hired by USAID on behalf of the CNE to examine expenditure records and determine that expenditures comply with established criteria; and, the political party beneficiaries of the fund. Meetings with the political parties were divided into three groups: FRELIMO; RENAMO/UE; and, the smaller political parties. In addition, the Evaluation Team briefed the international donor partners, Netherlands, Switzerland and Sweden on its activities. Recommendations regarding the work, and concerns regarding the program, were solicited from all the international donors.

The Evaluation Team devoted the second part of its work, 10 days at the Provincial level, visiting Nampula and Niassa. These provinces were selected by USAID because, compared to the 1994 parliamentary elections, in 1999 Frelimo gained four seats and RENAMO/UE lost six seats in Nampula, and in Niassa, FRELIMO lost one seat and RENAMO/UE gained three seats. The purpose of these visits was to assess the impact of the program at the local level, i.e., to study whether the resources reached the local level, and if so, did these additional resources improve the competitiveness of the political campaign. Most specifically, the Evaluation Team attempted to find out what activities most influenced the decision making process at the local level during the political campaign period. To this end in Nampula and Niassa the Evaluation Team discussed the political campaign with the political parties grouping the smaller political parties together and organizing meetings separately with FRELIMO and RENAMO/UE, and with religious leaders, traditional leaders, civil society organization such as AMODE (which participated in domestic observation), party agents, the Provincial Elections Commission and STAE in Niassa.¹

The final 10 days of the evaluation were devoted to discussing the political campaign with the media, which robustly criticised the funding of political parties in 1994, and, to a lesser degree, in 1999, academic scholars and Mozambican political analysts. The Evaluation Team continued to meet with political party leaders and opposition leaders from the CNE and STAE. In addition, a final meeting was held with the international donor partners to discuss the findings in the field, and to discuss and receive feedback on preliminary conclusions and recommendations.

II. Program Concept

The donors’ objective in contributing to the public campaign finance fund was to promote a more competitive electoral race, exposing voters to electoral choices and thereby strengthening Mozambique’s democracy. The money would ensure that those parties that had little or no access to other means of independent campaign financing would have access to public funds with which to campaign, and these funds would be disbursed in a transparent and unbiased manner. That said, it

¹ In Nampula, the Director of STAE did not have the time to meet with the Evaluation Team.

was understood that the two large parties, FRELIMO and RENAMO/UE, would receive the largest portion of funds from this campaign fund. Both FRELIMO, and to a lesser degree RENAMO/UE, had other means of raising money, including party dues, contributions from the business community as well as other sources of funding. Although the Electoral Law states that the Government should provide public campaign finance, the international donors realized that if this fund was not further supported, the smaller parties which depended on this fund to campaign would receive little in the way of financing.

FRELIMO had the advantage of incumbency, and while government resources could not be used to campaign, it still could plan its electoral campaign using its large and well organized party machine, country-wide coverage, credit with local businesses, and ability to carry out additional fundraising activities. The FRELIMO Campaign Manager said that, out of its \$4 million campaign fund, the public financing received represented approximately 17.5 percent of the total campaign budget. A sum, he noted, did not even cover the cost of fuel for the campaign. Nevertheless, over the 45-day campaign period FRELIMO's presidential candidate managed to visit every province twice and rented a private executive jet to do so.

Going into the election RENAMO/UE had many fewer resources than FRELIMO. RENAMO/UE did not have the same access to credit with local businesses, in general its supporters are rural and less economically advantaged. In addition, RENAMO/UE needed to provide its campaign and poll monitoring "brigades" with subsidies, transportation and food. Unlike FRELIMO, RENAMO/UE was unable to start its electoral campaign on 19 October, the official date for the opening of the political campaign because the party lacked such credit, or access to the delayed public campaign funds. RENAMO/UE really only began its campaign approximately two weeks into the campaign period and even later than that in some areas. The other partners in the RENAMO/UE coalition observed that they had formed a coalition with a parliamentary party in the hope of receiving more funds with which to campaign. The smaller parties of the RENAMO/UE in Nampula argued that since Mozambique does not have a fully developed democracy, this fund is critical for the smaller parties, as otherwise no resources would be available for the campaign. When asked if it was possible to hold fundraising events, the smaller parties did not consider it a realistic option given the level of poverty amongst the electorate, particularly in rural areas. They said at best they could receive in-kind support, such as loan of cars, but the parties were expected to pay for diesel. Party members and delegates paid their own communication costs and used their private phones. The smaller parties, as well as RENAMO/UE, found it impossible to raise money locally. Except for UD, which won nine parliamentary seats in 1994, all other parties were extra-parliamentary, with some name recognition but virtually no outside financing.

The international donors realised that only by supporting the fund for the electoral campaign would voters be informed that they had an electoral choice other than the two larger parties. Concretely these funds would promote party development, by enabling parties to get their message out and develop their infrastructure and win votes.

In 1994, the U.N. administered a donor-financed Trust Fund for political parties to use during the election campaign. The U.N. was, however, widely criticised by the international community and local media for dispensing funds without any control mechanism. Local media accused the political parties of not using the funds for their intended purpose, the political campaign, but instead using funds for buying cars and houses. One perception was that some of the small political parties were formed for the sole purpose of receiving international funds. In order to avoid similar problems in 1999, the proposed campaign finance fund was to be subjected to new controls and a final audit. These measures would include strict criteria regarding which expenditures would be considered eligible, the identification of a specific person responsible in the political party for opening the bank account and controlling and reporting on expenditures, the submission of purchase receipts, and division of the distribution of funds into three parts and reducing subsequent allocations if the funds

previously distributed were not properly justified by legitimate receipts for eligible goods and services. In addition, legal penalties could be assessed for violations of the law or CNE regulations concerning the campaign finance program. The independent accounting function and expenditure review was to be carried out by Deloitte&Touche (see Attachment A). In addition to ensuring that the political parties and coalitions would adhere to the procedures, use of an independent program accountant would protect the CNE and STAE from accusations of partisan politics in the management of these funds.

III. Formula for the distribution of funds

In accordance with the Election Law, the CNE is the competent body for determining the formula for the distribution of public funds for the presidential and legislative elections. The law required that these funds be distributed in proportion to the number of candidates on a party list and the number of seats to be filled. The international donors' concern was that any formula selected would allocate public funds in a fair and unbiased manner.

On September 14th, the CNE announced the preliminary formula for the distribution of funds and reviewed and finalized this formula on 19 October, the date on which the electoral campaign formally began.

Formula adopted by the CNE

Fund is divided into three parts:

- One-third allocated equally between the presidential candidates;
- One-third allocated to the three political parties currently represented in the Assembly of the Republic, in proportion to the seats held; and,
- One-third allocated to all parties and coalitions with legislative candidates, in proportion to the number of seats each party or coalition is contesting.

The formula for this allocation is:

$$(X/Y) = C$$

$$C \times N = \text{Amount per party or coalition}$$

Where:

X = Amount of funding allocated to this one-third of the total fund

Y = Total number of candidates from all parties and coalitions

C = Amount per candidacy

N = Total number of candidates per part or coalition nation-wide (up to 250)

The formula promulgated by the CNE is in accordance with the norms established in the Election Law. The formula is also simple to administer and easy to understand. By allocating, in absolute terms, more money to parliamentary parties than to extra-parliamentary parties, the formula discourages the formation of parties whose sole purpose may be only to collect funds rather than seriously contest the elections. In contrast, in 1994 the Trust Fund was criticised for allocating money to parties without a significant constituency.

Formulas such as this one for allocating public money or for allocating seats in parliament have an impact on the behavior of political parties. For instance, a formula can either advance the formation and development of many smaller parties or the consolidation of political parties. Formulas can encourage coalition building or the splitting of political parties. Not unlike individuals, over time political parties learn to modify their behavior according to the incentives that make up the rules of the game. In 1999, however, the formula had little impact on the behavior of political parties because it was decided upon after coalitions were registered and candidatures approved by the CNE.

While it is not the purpose of this evaluation to critique the chosen formula, a few observations can be made. The formula encourages parties that already have a basis for support to continue competing in the elections. Smaller parties that, in the future, have an interest in competing in the parliamentary elections and can muster the resources to meet the signature requirement will likely continue to try to present presidential candidates as a means of raising additional funds for their parliamentary campaign. Smaller parties may be less likely to continue to combine resources and form coalitions because together they will receive fewer funds than if they ran independently. On the other hand, the financial advantage associated with running independently must be balanced against potential synergies inherent in a well-organized coalition. The opposition vote, scattered over many parties, will give a slight advantage to the two larger parties, as the so-called “d’Hondt” formula, used in Mozambique for the distribution of legislative seats, gives a slight advantage to larger political formations.

Only by aggregating its vote could smaller parties in a single coalition hope to enter the parliament. For instance, collectively the smaller parties received about 11 percent of the overall vote in 1999, and as a coalition could have met the 5 percent threshold and be eligible to receive seats in the parliament. The President of the MONAMO party agreed that, by giving a coalition of parties the same funds as a single party, the fund is a disincentive for parties to continue to form coalitions. He pointed out that the Electoral Law and the campaign fund promote contrary activities. The Electoral Law discourages the formation and continued existence of small political parties, while the campaign fund formula promotes small parties that are unlikely to win seats in parliament, rather than the formation of coalitions that are more likely to win seats. If indeed it is in the interest of multi-party democracy development to limit the number of small parties competing in at least national elections, then the campaign finance allocation formula should be more in line with the Electoral Law.

An advisor to RENAMO/UE considered the current formula disadvantageous to the smaller parties, saying that in the future the formula could possibly be a little more flexible for the smaller parties. All the smaller opposition parties criticized the fund for benefiting the parties in power and not themselves. The development of the allocation formula did not require previous discussion with political parties not represented in the CNE, i.e., those without current parliamentary seats. In discussing the disbursement of funds with PALMO, PIMO, PANAMO, PASOMO, PANADE, the general opinion was that the criteria for the formula was not correct and benefited the party in power. This belief was exemplified by a general complaint, made both in Maputo and in the provinces, that the CNE was not as neutral a body as it was in 1994. Smaller parties argue that public funds should help all parties compete on an equal footing for seats in the parliament, and, therefore, they found the formula prejudicial to extra-parliamentary parties. Their proposal was that the allocation of funds should only be based on the number of candidates and seats to fill and not take into consideration whether a party already had seats in the parliament. Indeed, a NDI study requested by USAID/Mozambique found that some countries with public campaign finance programs, such as Israel, do favor small parties in such a manner.

While the smaller parties of the RENAMO/UE coalition in Nampula considered the 5 percent threshold in the Election Law to be the greatest barrier to the development of a multi-party democracy in Mozambique, those same parties also considered the distribution criteria prejudicial to the smaller parties. When asked what criteria should be used to determine if a party is a serious party, they noted all parties are registered by the government and this could be the criteria used to determine if the party had a basis of support. A FUMO party official suggested a public survey to test name recognition. Another approach is to use the local elections, which would take place prior to the national elections, as a criterion for legitimacy. As Mozambique’s 1998 local elections indicate, it usually is easier for small parties to enter local municipal councils and build their level of support up from the grass roots than win seats at the national level. Even if one of more of these

suggestions is used as criteria for political legitimacy, the issue of coalitions still needs to be addressed as noted in the recommendations that conclude this evaluation.

It should be further noted that the current formula does not address the issue of elected coalitions, and, thus, requires further elaboration. If one were to assume a coalition is treated as a single party for the purpose of distributing funds and that coalition wins seats in parliament, with seats distributed to more than one party in the coalition, how would the distribution of funds be treated for the next parliamentary elections if the same parties do not continue the coalition? How would funds be distributed if some of the smaller parties from the original coalition whose members also hold mandates ran independently or form a new coalition that may include additional extra-parliamentary parties? Would this new coalition be treated as an extra-parliamentary party or as parliamentary party? In a related issue, some members of the CNE argued that since the RENAMO party alone gained parliamentary seats in the 1994 election, the RENAMO/UE coalition was in essence an extra-parliamentary party. If this argument prevailed, the largest opposition party in Parliament and ten small extra-parliamentary parties would have received the same amount of campaign funds as one extra-parliamentary party. This would have made the fund pointless and not enhanced the competitiveness of the political contest. In order to avoid similar ambiguities, the issue of coalitions should be carefully addressed either as an amendment to the Election Law or elaborated as a decision by the CNE and adopted before parties begin negotiations to form coalitions. In the opinion of the evaluators, this is an issue that will need deliberation by the legislature should the Electoral Law be amended, or a decision by the CNE prior to the registration of political parties and coalitions for participation in the 2004 parliamentary elections.

Another consideration in selecting formula is at what point in the electoral calendar can funds be disbursed. A formula linked to activities that occur late in the electoral calendar may distribute funds too late to be effective. In discussing the rationale behind the formula, the CNE Chief of Administration and Finance (the CNE Member largely responsible for the design and implementation of the campaign finance program) accurately asserted that the formula is based on the law, and funds could not be disbursed sooner due to the tight electoral calendar and overlapping deadlines. Since the late adoption of the Election Law and selection of the new CNE members caused the constricted timeline, a tight electoral calendar should be less of an issue in 2004 since both will be in place beforehand.

Funding was not disbursed in the 1999 elections until the number of candidatures each party or coalition had on its list was verified. For the 1999 legislative elections, the deadline for the verification of candidatures was 28 October while the political campaign officially began on the 19 of October. Even taking into consideration that delays in starting the electoral process compressed the electoral calendar, unless the first tranche of funds are distributed earlier than the deadline for the verification of candidatures, it may not be possible to distribute funds prior to the start of the political campaign. RENAMO/UE and all the smaller parties and coalitions agree that funds need to be distributed earlier. For the elections to be more competitive, the campaign of all competing parties needs to start at the same time, and not be delayed because of lack of public campaign funding.

There are a number of options that would allow funds to be distributed earlier. For instance the first tranche could be a minimum amount distributed to both parliamentary parties and extra-parliamentary parties, while the second and third tranches of funds could be adjusted according to the number of verified candidatures that the party or coalition fields. Another possibility is to link the distribution of funds to the deadline for the presentation of candidatures for the parliamentary elections, which for last year's elections was 14 October. The funds could be reduced proportionally if any of the candidatures presented do not qualify to stand for office. Regardless of the solution found, the funds need to be distributed at least one month prior to the start of the campaign to help level the playing field.

IV. Implementation Mechanism and timeline for the Release of funds

As per each donor agreement with the Government, the first tranche of funds distributed to the political parties on 28 October did not include contributions from donors, but rather consisted exclusively of Government funds. Delays in coming to an agreement on the implementation of this program and distribution of the first tranche of funds gave some international donors the impression that at times the government was not sufficiently serious in its intent to distribute funds in a timely manner. Agreements with the donors were signed by the Ministry of Foreign Affairs, but largely negotiated with the CNE. The difficulty involved in coordinating between these institutions contributed at times to the delay of the process. USAID entered into an agreement with the Government of Mozambique on 30 September and only signed the Implementation Letter on 15 November that authorized the release of the first tranche of donor funds.

	US\$	%
Government of Mozambique	480,709	25.3
USAID	496,528	26.1
Sweden	485,494	25.6
The Netherlands	335,480	17.7
Switzerland	101,466	5.3
Total	1,899,677	100.0

Split as follows:	US\$	%
- Presidential Campaign	633,226	33.3
- Parties represented in the AR	633,226	33.3
- Extra-Parliamentary Parties	633,226	33.3
Total	1,899,677	100.0

Up to \$2.4 million was to be made available to support the election campaigns of the political parties in Mozambique for the 1999 Presidential and Legislative elections. The Government of Mozambique, USAID and other donors agreed that the Government of Mozambique would disburse 20 percent of the maximum total amount of financing, approximately \$480,000, prior to the disbursement of any donor funds. The subsequent tranches of funding were provided by donor funds. The fund would disburse approximately \$1.9 million. If necessary, the Government of Mozambique was to contribute up to a total of an additional \$520,000 (for a total contribution of \$1.0M, matching USAID's total donation under the SEC program) to make up the difference if political parties were able to present eligible receipts. Two political parties have submitted receipts in excess of their portions allocated under the \$1.9 million, but the Government has made no additional funds available. FRELIMO submitted a voucher in the amount of \$230,000, of which only approximately 50 percent was reimbursable before the funds ran out. In the case of RENAMO/UE about \$50,000 of a \$200,000 voucher went unpaid. Were the Government to make the additional \$520,000 available, FRELIMO would be entitled to about \$191,000, and RENAMO/UE about \$179,000. There may be similar situations with other parties that have accounted for all the funds they received. The Government and the donors, led by USAID, have not been able to agree that the additional \$520,000 in funding is required.

V. Procedures and timeframe

At the suggestion of USAID, on 15 October CNE/STAE held a seminar for the political parties in which the financial procedures for disbursement and accounting of funds were explained in detail. Deloitte&Touche prepared a manual entitled, "Financial Procedures for the Public Campaign Finance Fund," which included all the requisite forms and steps to be followed. A written

evaluation conducted by USAID at the conclusion of the seminar found that the attending parties found it very useful. On 19 October, 45 days prior to the elections, the political campaign began. Only FRELIMO kicked off its campaign on that date. RENAMO/UE began its campaign approximately two weeks later. A senior RENAMO/UE official said that the late start of its campaign was due to the fact that manufacturers of campaign materials refused to extend credit to RENAMO/UE. Production of campaign materials only began with the disbursement of funds by CNE/STAE.

On 19 October the CNE approved the formula for the distribution of funds to the political parties, and on 26 October STAE instructed the Bank of Mozambique to transfer funds to FRELIMO, RENAMO/UE and UD, the parties that held seats in the Parliament. On 1 November STAE instructed the Bank of Mozambique to transfer funds to the nine extra-parliamentary parties, PIMO, PADELIMO, PPLM, UMO, PT, PALMO, PANOAC, SOL and PASAMO. All parties were required to present justifications and receipts for the first tranche of funds not later than 26 November. For parties that did not properly justify expenses or present receipts, the second and third tranche of funds was reduced accordingly. The political campaign ended on 30 November. According to Article 35 in the Election Law, 60 days after the official results are announced by the Supreme Court is the deadline for the submission of the final justification of funding use, or March 4, 2000 in this case.

Political parties were asked if 45 days was too long for the campaign period given the limited resources available to the political parties. All parties, with the exception of FRELIMO's Secretary for Mobilization and Propaganda, considered the timeframe for the political campaign justified given the size of the country and the work that needed to be done. The FRELIMO official considered the campaign period overly long that caused unnecessary expenses to be incurred, such as housing, food and transport. FRELIMO's Campaign Manager said that the Election Law should be amended to shorten the length of the campaign period.

All political parties agreed that the deadlines were too tight. FRELIMO's Secretary for Mobilization and Propaganda said that the parties need time to learn the rules of game. It was necessary to request goods and services in advance. He also acknowledged that an agreement needs to be reached sooner in the electoral process with foreign donors. Logistics in Mozambique are difficult and distributing campaign material to the provinces created an additional burden. This official also said that although FRELIMO used its provincial committees as much as possible, people still wanted to see the party leaders from Maputo and that resulting expenses were costly.

A RENAMO/UE senior official also noted problems with the timeline and said it was important for the parties to know how much money they would receive and the criteria for the distribution of funds early in the electoral process. At a round table discussion with the smaller parties PALMO, PIMO, PANAMO, PASOMO and PANADE in Maputo, the participants concluded that the criteria for distribution should be announced early and money distributed prior to the start of the campaign. Materials need to be ordered in advance and distributed to the provincial party offices. Although the Government was obligated by the Election Law to distribute campaign funds to political parties and coalitions, this subject was not discussed by the CNE until mid-August, after voter registration had begun. Observers at the time believe that given the compressed electoral schedule, the CNE simply had "too much on its plate" to consider the issue sooner. RENAMO/UE, which had several representatives within the CNE and certainly needed campaign funds more urgently than FRELIMO, could have requested that "Campaign Funding" be added to the CNE agenda earlier in the process. It is not known why they did not do so. Delays by the National Assembly in adopting the Election Law, the subsequent naming of the CNE members and agreeing on the voting dates caused problems for several components of the electoral process including the distribution of campaign funds. As noted in the recommendations that follow, a longer electoral calendar would help to avoid a repetition in the future.

Deloitte&Touche said that the CNE felt it was important to classify which expenses were eligible and which were not. Some political parties used the 1994 Trust Fund to buy cars or houses, considered an inappropriate use of campaign funds. Some receipts in 1999 appeared to be fabricated, but this could not be definitively proven. Deloitte&Touche recommends that for the next elections, political parties should be required to make purchases by checks that would create a more transparent paper trail. Another suggestion is to conduct an independent audit of suppliers to verify that receipts correspond to actual goods and services provided, but this was considered time consuming, expensive and overly burdensome to the system at least in 1999.

In order to prevent inappropriate use of public resources, the following expenses were categorised as not permissible: direct salaries of campaign officials; purchase of cars; permanent installations such as houses; physical improvements to campaign space, i.e., offices, equal to or greater than \$1,000; and, representation costs equal to or greater than \$2,500. STAE opened a campaign fund bank account into which funds were transferred from the treasury. Each party or coalition opened a local currency bank account exclusively for these funds. Once the separate account was opened, the political party or coalition was required to communicate this information to STAE, including the name and contact numbers of the party official responsible for the finances. STAE then transferred the first tranche of funds. Subsequent tranches of funds would be disbursed into the bank account upon presentation of acceptable justification of use of funds. Justification was required for 70 percent of all funds as receipts were not required for public transport or similar types of small expenses that were difficult to document. Subsequent tranches would be reduced in proportion to those funds that were not properly justified. All funds must be fully justified during the 60-day period following the announcement of the official election results. Procedures were established for rectifying accounts within 15 days of the final deadline for the justification of funds and closing the bank account. These bank accounts were also subject to a financial review by Deloitte&Touche, although the CNE did not require that the separate accounts be audited.

In discussing the procedures with PALMO, PIMO, PANAMO, PASOMO and PANADE, the parties agreed that the October 15th seminar was done well, and the procedures clearly explained. Some Parties had difficulties in opening bank accounts that delayed the transmission of funds. While the system for justification was reasonable, the problem was that deadlines for the submission of receipts were unrealistic. They noted the logistical difficulties in getting receipts from the local branches of their parties. Regarding the criteria that prohibited the purchase of cars, fax machines and other items, the parties said that it costs the same to rent a car for 45 days as it does to buy a car. If they could buy a car, or even a smaller item like a fax machine, then it could be used for the next elections. In both Nampula and Niassa, the smaller parties agreed that if cars were bought with funds, little would be left for the provinces and they principally needed fuel, money to rent cars and visual election materials, pamphlets, hats, *capulanas* (women's wrap-around skirts widely used in Africa) and t-shirts. The Parties requested help between the elections to develop their infrastructures. Even though the compressed deadlines created an additional burden, and some evidence of limited misuse of funds existed, by and large the seminar, criteria for legitimate and illegitimate expenses, and other procedures established considerably diminished the misuse of funds (see section VIII, "Results of the Audit"). This is reflected by the fact that, compared with 1994, the primary criticism levelled by the local media was linked to the tardy disbursements of campaign finances and not their misuse.

VI. Use of Funds

According to RENAMO/UE, their use of campaign funds was decentralised through the opening of bank accounts by RENAMO/UE Provincial Committees. However, all reporting was centralised and the RENAMO's Central Committee presented the justification of funds to STAE. FRELIMO's Campaign Manager, said his party decentralised many aspects of its campaign. In the Provinces the

biggest campaign expense was transportation and fuel. RENAMO in Nampula said the distribution and application of funds was centrally organised and the provincial committees were responsible for receipts and justification.

The small parties that were part of the RENAMO/UE coalition in Nampula volunteered some useful observations regarding co-ordination within the coalition. These party representatives said that they had hoped that combining resources would benefit all members of the coalition. They recognised that if they had not been in the coalition, it would not have been possible for any of their party members to be sitting in the Assembly. The campaign was difficult, but the relationship generally worked well. Complaints were that there was no coordinated planning, and RENAMO controlled all the funds and materials.

Smaller parties in the provinces all complained that little or no resources arrived at the provincial level: the perception being that the funds stayed in Maputo. The "UE" small parties in Nampula ventured the idea that funds could be distributed to the Provincial STAE and the distributed locally to the party. While such a suggestion would force decentralized funding, it could impede the party or coalition from developing its own national campaign strategy and placing its resources in the provinces where they would be most effective. When asked if there were other means of raising funds locally at the Provincial level, parties considered assistance in-kind a more plausible possibility than actually raising cash funds. When asked if other forms of assistance would be useful, both in Maputo as well as the Provinces of Nampula and Niassa RENAMO/UE and the smaller parties agreed. One suggestion offered by the evaluators concerned "Resource Centers," where a party could send faxes, access a computer, photocopy pamphlets, sew flags, and even prepare radio announcements. The parties agreed such services would help considerably. It is significant to note that RENAMO/UE and all the smaller parties both in Maputo and in the provinces considered the use of some campaign funding for party poll monitor *per diems* as money well spent. It appears that in a number of cases, unpaid campaign workers were later remunerated for voting day monitoring.

VII. Impact on the Competitiveness of the Process

The world wide manner in which political parties study impact of the campaign on the electoral process is by studying the results and comparing new results to those of the previous elections. STAE expects to publish the detailed results of the 1999 elections in July/Aug 2000. Once these results are available, it will be possible to analyse, district by district, a party's strengths and weakness and possibly identify what factors contributed to shift in the electoral results. Only then would it be possible to speculate if the election campaign made the difference, or instead if it was any number of other factors including demographic change or past government performance. Some Mozambican observers feel that FRELIMO performed much better in Nampula province during the 1999 elections in part due to more aggressive, coherent campaigning.

By talking to people in both Maputo and in the provinces it was possible to establish some general impressions about the political campaign. In 1994, the campaign was considered better than in 1999 because more funds were available and there was a greater genuine interest in transforming a one party system into a multi-party democracy. FRELIMO considered the 1999 electoral campaign to be better than 1994 because it was more organised, and fear and intimidation was less prevalent within the electorate.

Complaints were made that campaign Trust Funds were misused in 1994, but all opposition parties agreed that these funds improved the campaign that year. RENAMO President Dhlakama opened his 1999 campaign in the southern province of Gaza, a FRELIMO stronghold. Speculation at the time was this decision was driven at least in part by the lack of funds to campaign further from the party base in Maputo. Dhlakama then interrupted his campaign for about two weeks, again it was

thought primarily for financial reasons. RENAMO/UE's top officials only really campaigned on a nation wide scale the last two weeks before the elections.

In Nampula and Niassa the campaign was considered better in 1994 because it was more peaceful. While in 1994 there was a consensus that people wanted peace, the general impression of party representatives was that confrontational incidents were more prevalent in 1999. In both Nampula, with the country's largest provincial population, and Niassa, with the smallest, the campaign was a contest between FRELIMO and RENAMO/UE. Not surprisingly given the relative populations, Nampula had a more active political environment than Niassa. All ten of RENAMO's coalition partners were present in Nampula, whereas in Niassa only FUMO, UNAMO, PPPM and MONAMO were represented in the UE coalition.

The smaller parties had a presence in both Provincial capitals and in some of the larger towns in each Province, but were unable to find transport to bring their campaigns to the districts. A civil society electoral observer said that the smaller parties had little credibility at the local level. In some cases church leaders tried to explain to their congregation that parties other than FRELIMO and RENAMO/UE are contesting in the elections, but there was little evidence of their presence on the ground. In discussing the political campaign with pro-RENAMO *regulos* (traditional leaders) in Nampula, the question was asked what a political party needs to do to win their votes. Their response was that they are not interested in *capalanas* or t-shirts, but want tractors and factories that would create employment. The traditional leaders felt that political parties need help in elaborating their programs and explaining what they would do if they entered parliament

A civil society leader in Niassa involved with electoral observation considered RENAMO/UE's campaign strategy of travelling to the districts and staying for a few days in the districts while holding discussions and going to door to door to talk to voters more effective than FRELIMO's strategy of travelling to the districts and returning to the capital town of Lichinga the same day. He said that the problem with the opposition is that it is only active during the elections. Opposition parties need to work on a permanent basis with the people, and the observer felt that programs are needed to help develop political parties between elections. For example, he said the parties need to understand what an elected representative is responsible for in parliament. The civil society member said that one of the perceptions in Niassa is that when money is given it does not arrive at the local level. When asked if it was possible to work with local NGOs and develop campaign resource centres, he responded that local NGOs are perceived as partisan. He added that more voter education needs to be done, as many people still do not believe that the vote is secret. The smaller parties in Niassa believed that the most effective method of campaigning was going door to door and talking to people directly, that television, radio and newspapers did not have any impact in the countryside. They also noted that it is only possible to go door to door if transport is available to get to the districts and villages.

The uncertainty of whether there would be campaign funds for the smaller parties, and if so, how much and when these funds would be disbursed seriously impeded planning on the part of the smaller political parties, and was one factor in the late start of the RENAMO/UE political campaign. These delays had a negative impact on opposition parties' ability to get their messages out and consequently reduced the competitiveness of the electoral campaign.

VIII. Results of the Audit

At the time of this evaluation, the audit had not been finalized, but throughout the entire process Deloitte&Touche carried out an independent accounting function that included a review of expenditures (see Attachment B). In total, \$1,890,943 was distributed to the political parties, of which \$1,801,014 has been judged to have been used on eligible campaign expenditures. Two parties, PANOAC and UMO were not disbursed the entire amount of funding they were entitled to

under the formula because they failed to justify early on the initial allocation. All other political parties or coalitions of political parties have received 100% of the amount they were entitled to. Eight out of 12 parties had received funds they did not completely account for. These expenses total \$89,929. Four parties, FRELIMO, RENAMO/UE, UD, and PANOAC accounted for 100 per cent of the funds they received. While in 1994 RENAMO had difficulty with justifying the use of virtually all of its donor-supplied campaign finance funds, in 1999 RENAMO/UE was the first party or coalition of parties to clear its books and correctly justify all its expenses. Only two political parties have presented acceptable documentation on eligible expenditures covering less, 56.4% and 64.1% respectively, than the 70 percent of the total allocation required for justification by the CNE. As such, under the terms of the Electoral Law these parties are liable for prosecution.

Political Party or Coalition	Amount Allocated (US\$)	Percent Justified
PALMO	70,234	96.6
FRELIMO	709,791	100.0
RENAMO-UE	674,330	100.0
PASOMO	8,147	90.9
PT	70,234	56.4
UD	93,029	100.0
PADELIMO	32,588	83.0
PPLM	26,127	64.1
UMO	70,234	80.9
PANAOC	36,241	100.0
SOL	70,234	70.5
PIMO	38,487	81.4
TOTAL:	1,899,677	95.3

IX. Conclusions

Public financing of national electoral campaigns is essential for a competitive political environment in most, if not all, poor developing countries. Time is required for democracy to develop and for the principles of democracy to become firmly grounded in the institutions of the State. Political campaigns and the means to carry out campaigns are essential components of this process. The Electoral Law required the government to create and fund a campaign finance program, but without donor support it was likely that the public treasury resources provided would, alone, be token. The reason for this may include political interests, but it also can be said that in a country as poor as Mozambique resources allocated to “democracy” often means less for important social sectors such as health and education. *If USAID and the other international donors had therefore not contributed to the program, the campaigns of all opposition parties would have suffered and the voters would have been less able to make educated choices on election day.* Governments in countries like Mozambique, truly committed to the growth of multi-party democracy, should create public campaign finance programs.

The 1999 public campaign finance program in Mozambique suffered from delays in implementation and, some have said, under-funding. As a result, the Government’s own support of the program was at times suspect in the eyes of some close to the process. Once the funding was released by the CNE/STAE, however, it nearly all was used for legitimate campaign purposes – contrary to what took place in 1994. The involvement of an independent financial accounting and audit firm was key to this improvement, as were the program requirements developed by the CNE with the support of the donors. Given that less than five percent of the funds disbursed were not properly accounted for, the major concern expressed by USAID/Washington and some in the U.S. Congress when approving the program proved to be largely unfounded. While it is difficult to come to a definitive conclusion based on what the evaluation found, or could not find lacking detailed electoral results,

it appears that the program contributed to more competitive elections. In the view of the evaluation team, USAID should again finance this type of campaign finance program in Mozambique's 2004 general elections, and should even consider increasing its contribution, subject to an increased allocation from the Government's own budget.

For future elections, if the formula for the distribution of funds is to remain unchanged, the political parties should be informed of this early in the electoral process. Any amendment to the formula should be done at least 30 days prior to the start of registration of political parties in order to allow enough time for inter-party negotiations on the forming of coalitions. Political parties need to know the rules in advance to plan strategies to their best advantage, and this would enhance the competitiveness of the electoral process.

Political parties need to know how much they will receive, and when funds will be disbursed in order to minimise costs by soliciting bids from suppliers and buying in advance on credit against budgeted funds. Parties need to be able to plan their political campaign strategies much earlier in the process. Well before the electoral process begins, there should be a fixed budget for electoral campaign finance, and the criteria for the disbursement of funds and allocation formula established by the CNE. The tight timeline of the electoral calendar 1999 and the resulting lateness of funding disbursement seriously impeded the effectiveness of the program for the reasons noted earlier. Well in advance of the 2004 elections these issues must be addressed by a permanent CNE. USAID should indicate early in the process, along with the other donors, the amount of its expected contribution to the campaign fund and other electoral costs. Conversely, any decrease in contributions to the electoral process as a whole should also be indicated early in the process so the government can plan and budget accordingly.

The close coordination between USAID and the three other donor countries was an extremely positive aspect of this program. Having more than one donor finance such a fund is essential and reinforces the impartiality of all donors. USAID should consider a collective agreement between USAID, the other international donors, and the Government of Mozambique that could speed up the negotiation process and, thus, allow the most expeditious release of campaign funds to political parties.

The established allocation criteria, disbursement and accounting procedures and training of the political parties in the application of these procedures helped enhance the program. This was evident by the fact that in 1999 the campaign finance fund was not criticised by the media as was the 1994 U.N. Trust Fund. Along with use of public funds also comes the public accountability of how these funds are spent: two equally important aspects of this program. The hiring of an independent accounting firm was crucial to maintaining the integrity of the process and should be a permanent feature of this program. Donors and the Government should continue this aspect of the program in 2004.

The size of Mozambique, logistical difficulties, and lack of coverage by the local media make it difficult for political parties to reach all voters even with additional funds. To help address this problem, in addition to again contributing to the electoral campaign fund USAID should consider funding or supporting local resource centers for use by political parties at the provincial level during the electoral campaign period.

X. Recommendations

1. The National Assembly should amend the Election Law so that Presidential and Legislative elections occur on a fixed date in October every five years.
2. Once the Election Law is amended, the CNE should expand the Election Calendar so the deadlines are not as compressed as in 1999.

3. The CNE should publish the Electoral Calendar, covering the 12-months before the elections, at the beginning of every electoral cycle.
4. The timeline for distribution of campaign funds, justification of expenses, reconciliation of records and final audit and publication of the results of the final audit should be fixed in the Electoral Calendar.
5. In every election year the Government should announce the amount it is contributing for the public campaign fund in the annual budget submitted to the National Assembly. In approving the budget, the political parties in the Assembly should determine its adequacy.
6. The entire budget for the political party campaign fund, Government and donor contributions should be made public four weeks prior to the start of political party registration, or at least four months prior to election day. Donors should not contribute more than one-half of the total resources available in order to encourage sustainability through increased government responsibility for the program. As in 1999, the Government's contribution should be disbursed first.
7. The formula for the distribution of campaign funds should be made public at the same time. If the formula is to be amended by the CNE, it should be amended not later than four weeks prior to the start of political party registration. Once the registration process begins for coalitions and political parties, the formula for distribution of campaign funds can no longer be amended.
8. The first tranche of campaign funding needs to be distributed at least 30, and ideally 60 days prior to the start of the electoral campaign.
9. The CNE needs to define how funds will be distributed to a coalition that held seats in parliament if it is not composed of the same members, and/or if smaller parties in the coalition form new coalitions with other extra-parliamentary parties.
10. In order to create a paper trail which is easier to audit, political parties should be required whenever feasible to pay by check for the purchase of goods or the contracting of services.
11. To further engender the transparent and appropriate use of public funds, for the 2004 elections the CNE should require 80-85 percent of expenses to be supported by eligible receipts, up from 70 percent in 1999.
12. Support the work of NGOs or other non-partisan, locally-based citizens groups to develop local campaign "resource centers" at the provincial level where political parties could print posters, send faxes, have access to computer equipment, photocopy machines, sewing machines and other equipment as deemed necessary. The centers could possibly include a radio studio for the recording of campaign announcements. Except for the 90-day period prior to the elections these resource centers could perhaps generate income for the local civic association as long as the costs of running the resource center are covered. Any income from the resource center could first be used to buy new equipment, repair existing equipment, pay rent and salaries and cover the costs during the election period and the costs of other public service functions for which the centers are used.
13. A joint agreement between USAID, the other international donors, and the Government of Mozambique containing common procedures, reporting clauses and requirements should be used to speed up the program negotiation process and thus help to ensure the more expeditious release of campaign funds to political parties. The agreement should clearly state the contributions of the Government and each donor, as well as the consequences of any party to the agreement not fulfilling their commitments.

Scope of Work
Technical Assistance to the Comissão Nacional de Eleições (CNE)
For an Assignment related to a System
of Public Campaign Finance in Mozambique

I BACKGROUND

The Mozambican legislature, in drafting the 1998 Electoral Law that will govern the upcoming general elections, recognized the inappropriateness of any foreign government directly providing funds to political parties for electoral campaigning. Such direct support is prohibited by Article 33 of the Electoral Law. The same Article, however, allows foreign governments to contribute funds to the Mozambican Government's State Budget to establish a public campaign fund to provide financing for electoral campaigns of contending parties and individuals. Thus, key aspects of Mozambique's electoral legislation are: (1) to prohibit direct financing by foreign governments to influence the outcome of elections; and (2) to establish a sustainable facility for public campaign finance.

The National Electoral Commission (CNE) and the electoral administration under its authority, the Secretariado de Técnico do Administração Eleitoral (STAE), are mutually responsible for the management of the public campaign finance program. The CNE has established general guidelines and some procedures for the functioning of the program (see attachment). The entire campaign finance fund, estimated to contain the Metical equivalent of \$2,000,000, will be equally divided into three parts. The first will be equally allocated among political groups fielding presidential candidates. The second portion will be allocated in proportion to the seats held among the two political parties and one party coalition with current representation in the Assembleia da Republica. The final portion will be equally divided among the extra-parliamentary political parties contesting the legislative elections.

The system of financial flows would work in a general sense as described below. As illustrated in the attached diagram, the system contains several accountability points and permits double oversight of several of the key points. The entire procedure will be subject to a post-election independent audit.

USAID funds will be disbursed into separate account established by the Bank of Mozambique in the New York Federal Reserve Bank. A Central Bank local currency special account in the name of the program will be opened, and the Metical equivalent of the USAID disbursement will be placed in the account. Certification of full deposit will be required before any draw downs. After the initial two tranches of Government funds are allocated to the CNE and disbursed by STAE to

the political parties, USAID funds would be transferred into the General Treasury account and made available along with other State Budget resources for the CNE's campaign finance facility.

Using established allocation procedures, the CNE/STAE will release the first two tranches of campaign finance funds, *comprised solely of government resources*, to the eligible groups. Upon expenditure of the funds, parties will submit receipts to the accounting firm contracted by USAID on behalf of the CNE/STAE that will review the expenditure documentation to determine eligibility established by the CNE. The accounting firm will issue a pay order to the CNE/STAE authorizing third and subsequent tranches of campaign financing to the particular party in the amount corresponding to the valid receipts, i.e., the amount of any ineligible expenditures will not be reflected in the pay order and thus withheld from the tranche. Upon CNE concurrence with the pay order(s), USAID and/or another donor funds will reimburse the Government for the initial tranche of *approved* expenditures by authorizing draw down of funds from the Treasury account. The pay order process will be repeated for all subsequent tranches.

The CNE recognizes that the process of disbursing, accounting for and claiming subsequent campaign funding tranches based on expenditure documentation would benefit from a thorough explanation to the recipients of the financing. In response, the CNE will require that representatives of all political parties, party coalitions, and groups of citizens eligible for campaign finance allocations participate in a one-day seminar that will: (1) comprehensively explain the process and the requirements to be followed by the financing recipients; and (2) present measures and procedures which should be followed by the recipients in order to strengthen their ability to manage and account for campaign funds, and thus help ensure that each group is able to receive the funds to which it is entitled.

II OBJECTIVES

The objectives of this engagement are to contract the services of a CPA firm under one of the Mission's Indefinite Quantity Contracts (IQCs), hereinafter referred to as the contractor, to carry out the following:

- a) to design and conduct a one-day seminar for all political parties that will explain the process and the requirements to be followed by the financing requirements, and present measures which should be followed by the recipients in order to strengthen their ability to manage and account for campaign funding;
- b) upon implementation of the campaign financing activity, based on criteria developed by the contractor and approved by STAE/CNE, conduct an in-depth review of receipts received from all political parties to ensure that they conform to the financing requirements;

- c) based upon a satisfactory review of receipts received from political parties, recommend to the CNE/STAE further financing tranches on the basis of eligible expenditure incurred; and
- d) conduct a post election audit of all government, USAID, and (any) other donor funds provided for campaign financing.

III SCOPE

The contractor should use the following steps as the basis for the engagement. They are not considered all-inclusive or restrictive in nature and do not constitute relief from exercising due professional care and judgement. The steps may be modified to fit Government of Mozambique accounting standards, requirements, and agreement provisions, as directed by STAE.

A. Pre-Assignment Steps

The following is a list of documents applicable to the campaign financing facility available to all political parties. The contractor should review these documents, as well as any other documents deemed to be necessary to carry out this assignment:

- 1. Electoral Law of Mozambique;
- 2. “*Financiamento da Campanha Eleitoral*” – guide issued by the CNE on campaign financing.

B. Design and Conduct a One-day Seminar for All Political Parties

- a. Hold an entrance conference with the CNE and STAE to establish relationships and responsibilities, as well as the procedures to be applied.
- b. Institute quality control procedures to ensure that sufficient competent evidence is obtained through inspection, observation, inquiries, and confirmation to afford a reasonable basis for an opinion regarding the accuracy of the receipts presented for reimbursement.
- c. Along with the designated STAE and CNE finance representatives, determine the type and quality of documentation required for submission by political parties with requests for reimbursement, and the steps and time requirements for review of submissions.
- d. Develop a manual for campaign finance recipients which provides a detailed description of the process, procedures to be used, and requirements to be met in order to receive continued funding.
- e. Produce an appendix to the manual prepared for campaign finance recipients containing recommended measures and procedures which should be followed by the recipients of financing in order to strengthen their ability to manage and account for campaign funds.

- f. Design and implement a one-day seminar for all campaign finance recipients, in which the contents of the manual and appendix are thoroughly presented and discussed; and
- g. If needed, as a result of questions or requested clarifications arising from the seminar, revise or expand the manual and/or appendix prepared for the campaign finance recipients.

C. Review of Receipts

On an ongoing basis, and in accordance with the system agreed to between the CNE/STAE and the contractor, review receipts submitted by all political parties and, once they have been determined to be acceptable in terms of the requirements established, issue pay orders to CNE/STAE recommending the immediate reimbursement to the political party. On a biweekly basis produce a report on total amount of campaign finance budgeted by funding source vs. the actual expenditure incurred. This report should be submitted to the CNE/STAE for review and approval, after which a copy should be provided to USAID for reimbursement from the special account.

D. Audit

Upon completion of the time period agreed upon between CNE/STAE and the contractor, conduct an audit of all funds provided to political parties for the purpose of campaign financing. The audit should:

- i. confirm the accuracy of reimbursements made;
- ii. summarize how much was reimbursed to each political party;
- iii. analyze the disallowed costs by type and amount; and
- iv. comment on the general performance of the system and its practical application.

IV REPORTS

1. The contractor should submit a report confirming the training conducted at the one-day seminar, along with a list of the political parties invited, as well as a list of the participants. In addition, a copy of the manual and appendix should be provided in both electronic and hard copy formats.
2. Upon the commencement of the campaign financing activity, the contractor should submit (on a biweekly basis) pay orders for authorized expenditures incurred to the CNE/STAE with a recommendation to reimburse the requesting political parties. In addition, for the purposes of releasing funds from the special account to the General Treasury account, the contractor will be required to provide a bi-weekly summary of actual vs. budgeted expenditures incurred, as well as a summary of the same (by political party) at the completion of the campaign financing activity.

3. Within 120 days of the announcement of the electoral results, the Contractor should audit all funds provided for campaign financing, and should provide the CNE/STAE and the Mission two copies of the report. The report shall:
 - a. contain a title page, table of contents and a transmittal letter and summary which includes a background section with a general description of the receipts reviewed and a summary of total expenditure reimbursed for each political party, as well as the period covered;
 - b. contain a schedule of receipts reviewed by political party, with a breakdown of pay orders issued for reimbursement, as well as amounts disallowed.

V PERSONNEL

The individual the contractor proposes for the assignment shall have at least five years experience in electoral affairs in developing nations and shall be fluent in Portuguese and English.

VI PAYMENT

Payment shall be made upon completion of interim deliverables, such as:

- a. the production of a training manual for political parties and the completion of the one-day training seminar;
- b. the completion of the review of all receipts, submission of the actual vs. budgeted expenditure report to USAID for release of funds from the special account; and,
- c. acceptance of the final audit report by USAID.